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Tomatoes and Products

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Approved by:

Elizabeth Berry

U.S. Embassy

Prepared by:

Elizabeth Berry

Report Highlights: Italian fresh tomato production in 2000 is estimated to be 6.5 million tons or 3% less than in 1999, mainly due to a reduction in planted area in response to large stocks and low price levels. Processors are expected to take advantage of this stock situation and increase exports by 10%. Production of tomato products for 2000/2001 is forecast at 1,930,000 mt. for canned tomatoes, 340,000 mt. for tomato paste, and 53,000 mt. for tomato sauce.

Includes PSD changes: Yes
Includes Trade Matrix: No
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SITUATION AND OUTLOOK

Italian fresh tomato production in 2000 is estimated to be 6.5 million tons or 3% less than in 1999. The reduction is mainly due to a 10% reduction in planted area for processing tomatoes in response to large stocks of tomato products and low price levels. The effect on production was partly offset, however, by favorable weather conditions that boosted yields. Planted area and production of tomatoes for fresh consumption remain stable.

Italian production of tomato products for 2000/2001 is forecast as follows:

Canned tomatoes: 1,930,000 mt.

Tomato paste: 340,000 mt.

Tomato sauce: 53,000 mt.

In comparison to the previous year, production of most tomato products has declined due to the high stock levels carried over from last year's large crop. Tomato paste production has declined about 8% mainly due to a saturation of market demand. The tomato paste market is considered to have matured with consumers now turning to other, value added tomato products. As a result, production for canned tomatoes only declined 3% since this sector includes some relatively new products, including new types of packaging and product type (mashed, chopped, etc.). Major food companies can be expected to continue to develop new products in this category in order to meet consumer demands. While still negligible compared to other tomato products, tomato sauce production has increased steadily over the past several years as producers have begun to introduce new types of products.

The large production levels of the previous year resulted in unusually large carryover stocks for this year, which have depressed prices. Manufacturers have taken advantage of this situation and increased exports by at least 10% for this market year. However, the increased exports are not expected to be large enough to offset the stock buildup. As a result, with the addition of good production levels this year, stocks are expected to be even larger for next year. (Note: There are no official data available for stock levels.) The large crop in 1999 led to a 5% drop in prices for tomato paste and a 10% drop in prices for canned and whole tomatoes for MY 99/00 compared to MY 98/99.

Within the reform of the European Union Horticultural Market Organization, Italy will obtain an increase in subsidized processed tomatoes from 3.61 million tons to 4.35 million tons. It is believed that the Italian government used the high stock levels as a bargaining point in gaining this increase. Under the new production limit system, subsidies will be reduced when production exceeds the national limit.

EU subsidies for the 2001/2002 campaign have been set at 34.50 euros per ton. Subsidies will be paid directly to farmers through producer associations. Italian tomato producers are concerned over the tomato program reforms, fearing that the end result will be gains for the processing sector at their expense. A similar program for citrus in 1996 was considered to have disadvantaged the producers because it was poorly implemented through complex and inflexible regulations. In addition, the citrus program removed the minimum growers price which gave the processors more control in setting prices.

However, it is our opinion that the tomato industry will fare better than the citrus industry in the reforms for the following reasons:

- The bulk of the tomatoes are grown specifically for the canning industry, resulting in a tighter working relationship between producer associations and the canning sector. In addition, planted area can be flexible and adapt to the needs of the industry (as seen in this year's 10% reduction in planted acreage).
- Tomato processors cannot import raw material from third countries as easily as citrus processors can due to the higher transportation costs and fragility of the tomatoes. In addition, the producers would have trouble finding comparable quality to the locally produced tomatoes, such as the San Marzano tomatoes.
- Italian tomatoes have a strong marketing image and are, therefore, much more competitive on the world market than Italian orange juice. As a result, the demand, and resulting prices, tend to remain more stable than for many products.

PSD TABLES

FRESH TOMATOES

PSD Table						
Country	Italy					
Commodity	Fresh Tomatoes				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Plnt For Fresh Consump	0	40000	0	41000	0	40000
Plnt For Processing	0	85000	0	89000	0	80000
TOTAL Area Planted	0	125000	0	130000	0	120000
Harv. For Fresh Cons.	0	38000	0	39000	0	38000
Harv. For Processing	0	80000	0	84000	0	77000
TOTAL Area Harvested	0	118000	0	123000	0	115000
Fresh Sale Production	0	1800000	0	1800000	0	1800000
Processing Production	0	4372000	0	4900000	0	4700000
TOTAL Production	0	6172000	0	6700000	0	6500000
TOTAL SUPPLY	0	6172000	0	6700000	0	6500000

CANNED TOMATOES

PSD Table						
Country	Italy					
Commodity	Canned Tomatoes				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Deliv. To Processors	2204000	2204000	2561000	2561000	2300000	2500000
Beginning Stocks	86000	86000	113000	113000	437000	417000
Production	1620000	1620000	1984000	1984000	1750000	1930000
Imports	7000	7000	10000	15000	10000	10000
TOTAL SUPPLY	1713000	1713000	2107000	2112000	2197000	2357000
Exports	730000	730000	780000	805000	790000	880000
Domestic Consumption	870000	870000	890000	890000	900000	900000
Ending Stocks	113000	113000	437000	417000	507000	577000
TOTAL DISTRIBUTION	1713000	1713000	2107000	2112000	2197000	2357000

TOMATO PASTE

PSD Table						
Country	Italy					
Commodity	Tom. Paste, 28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Deliv. To Processors	2168000	2168000	2347000	2347000	2100000	2200000
Beginning Stocks	99000	99000	118000	118000	139000	160000
Production	330000	330000	370000	370000	330000	340000
Imports	64000	64000	45000	56000	45000	40000
TOTAL SUPPLY	493000	493000	533000	544000	514000	540000
Exports	301000	301000	320000	310000	330000	330000
Domestic Consumption	74000	74000	74000	74000	74000	74000
Ending Stocks	118000	118000	139000	160000	110000	136000
TOTAL DISTRIBUTION	493000	493000	533000	544000	514000	540000

TOMATO SAUCE

PSD Table						
Country	Italy					
Commodity	Tomato Sauce				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1998		01/1998
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	48000	0	50000	0	53000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	48000	0	50000	0	53000
Exports	0	20000	0	21000	0	22000
Domestic Consumption	0	28000	0	29000	0	31000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	48000	0	50000	0	53000